

VOLUME OF SALES

**by W. D. Gann
(1939 course)**

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"Truth of the Stock Tape"
"Wall Street Stock Selector"
"New Stock Trend Detector"

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VOLUME OF SALES : : : : : : : : : : :

After considering the three important factors ... FORMATIONS, TIME, and RESISTANCE LEVELS ... the fourth and next very important factor is the VOLUME OF SALES AT TOPS AND BOTTOMS.

The VOLUME OF SALES is the real driving power behind the market and shows whether Supply or Demand is increasing or decreasing. Large buying or selling orders from professional traders, the public or any other source of supply and demand, are bound to be registered on the tape and shown in the volume of sales.

Therefore, a careful study of the VOLUME OF SALES will enable you to determine very closely a change in trend, especially if you apply all of the other rules for judging position according to the Formations, Resistance Levels and Time.

RULES FOR DETERMINING CULMINATIONS BY VOLUME OF SALES

- 1 - At the end of any prolonged Bull Campaign or rapid advance in an individual stock, there is usually a large increase in the volume of sales, which marks the end of the campaign, at least temporarily. Then, after a sharp decline on heavy volume of sales, when a secondary rally takes place and the volume of sales decreases, it is an indication that the stock has made final top and that the main trend will turn down.
- 2 - If the stock holds after making a second lower top and gets dull and narrow for some time, working in a sideways movement, and then breaks out on increased volume, it is a sign of a further decline.
- 3 - After a prolonged decline of several weeks, several months, or several years, at the time a stock is reaching bottom, the volume of trading should decrease and the range in fluctuation should narrow down. This is one of the sure signs that liquidation is running its course and that the stock is getting ready to show a change in trend.
- 4 - After the first sharp advance (when the trend is changing from a Bear Market to a Bull Market) the stock will have a secondary reaction and make bottom, just the same as it had a secondary rally after the first sharp decline. If the volume of sales decreases on the reaction and then the stock moves up, advancing on heavier volume, it will be an indication of an advance to higher levels.

These rules apply to the general market, that is, to the total sales traded in on the New York Stock Exchange—daily, weekly or monthly—as well as to individual stocks.

SUMMARY: SALES INCREASE NEAR THE TOP AND DECREASE NEAR THE BOTTOM, except in abnormal markets, like October, and November, 1929 when the market was moving down very fast and culminated on large volume of sales, making a sharp bottom, from which a swift rebound followed. As a rule, after the first sharp rally, there is a secondary decline on decreased volume, as described above under Rule 4.

MONTHLY RECORD OF VOLUME OF SALES
ON NEW YORK STOCK EXCHANGE
1930 - 1935

To understand the importance of Volume, a study of the total number of shares traded in on the New York Stock Exchange is necessary.

1 9 3 0

JUNE Sales were 80,000,000 shares, with the market moving lower.

JULY & On a small rally the total sales were only 80,000,000 shares for two
AUGUST months.

SEPTEMBER The market was slightly higher early in the month; then a decline started, which carried prices to new low levels, sales of 50,000,000 shares being recorded.

OCTOBER The market broke to new low levels. Stocks at this time broke the low levels of November, 1929 and sales increased to 70,000,000 shares.

DECEMBER The Dow-Jones Industrial Averages declined 46 points under the low levels of November, 1929. Total sales this month were 60,000,000 shares.

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JANUARY A rally started and in January, 1931 the sales were 42,000,000 shares.

FEBRUARY The market made top of the rally on sales of 64,000,000 shares, which showed that the volume of trading was increasing on the rally and that stocks were meeting resistance. Note that this top was just under the low levels of November, 1929, which showed that stocks not selling when they moved up under the old low levels of the panic.

MARCH A decline started in March and the sales were 64,000,000 shares, a heavier volume, with prices moving lower.

APRIL Sales were 54,000,000 shares.

MAY Sales 47,000,000.

JUNE There was a sharp decline on a volume of sales totaling 59,000,000, which carried the Averages down to new low levels, reaching 120, the old top of 1919 and the last low of May, 1926. A quick rally followed to the end of June and early July, the Averages reaching 157½, but failing to cross the high level made in May, 1931.

JULY The sales were smaller, only 33,000,000, and the market narrowed down.

AUGUST The sales were 24,000,000, still a narrow, dull market, not making much progress on the upside.

SEPTEMBER Activity started and sales reached 51,000,000. On this increased volume the Averages declined 45 points during the month of September. This showed great weakness and indicated a further decline.

OCTOBER A sharp decline occurred which carried the Averages down to 85 on sales of 48,000,000 shares.

NOVEMBER A rally followed, culminating on November 9th. The averages reached $119\frac{1}{2}$, back to the old top of 1919, to the last low of 1925, and to the bottom of a previous rally. Failing to penetrate these old bottoms and cross the previous top, the market showed weakness and indicated that the trend was still down. Sales in November were 37,000,000, the volume decreasing on the rally.

DECEMBER The Averages declined to a new low for the move, making 72 on sales of 50,000,000 shares, the largest since September, 1931. This indicated that big liquidation was still going on.

1 9 3 2

JANUARY The Averages reached a low of 70 on sales of 44,000,000 shares for the month.

FEBRUARY Rallied to $89\frac{3}{4}$ on sales of 31,000,000 shares.

MARCH The Averages made about the same high on sales of 33,000,000 shares. Then the market went dead on the rally, stocks narrowing down.

APRIL The Dow-Jones 30 Industrial Averages broke 70, the low of January; and declined to 55 on sales of 30,000,000 shares.

MAY The Averages broke 53, the old low levels of the panic of 1907 and 1914, which indicated lower prices; then declined to 45 on sales of 23,000,000 shares.

JUNE The range between extreme high and extreme low averaged 10 points and the averages reached a new low on sales of 23,000,000 shares.

JULY On July 8, 1932, the extreme low was reached, with the Averages down to $40\frac{1}{2}$. The volume was very small and the Averages and individual stocks moved in a very narrow trading range, indicating the last stages of a bear market. Late in the month the Averages crossed the high of June, which indicated that the trend was turning up. Sales were 23,000,000 shares. The range was about 13 points on Averages.

At the low in July the Averages were down 345 points from 1929 high. The volume of sales for the three months—May, June and July—aggregated only 69,000,000 shares, the smallest since 1923, in contrast to over 100,000,000 shares per month at the top in September, 1929 and 141,000,000 in the month of October, 1929. This indicated that after such a drastic decline, liquidation had run its course and the trend was changing. The market really had been sold to a stand-

still. Traders and investors sold out everything because they feared things were going to get worse. It was the same old story: A bull market begins in gloom and ends in glory. All of the indications were plain: The small volume of sales and narrow range of fluctuations indicated that the end had been reached and that a change in trend was certain.

During the latter part of July, 1932, the advance started.

- AUGUST There was a sharp rally in August on sales of 83,000,000 shares, more than for the entire three months past. This was on short covering and wise investment buying.
- SEPTEMBER Top of the rally was reached on sales of 67,000,000 shares, with the Averages up 40 points from the low of July 8. After this advance to September on a large volume, distribution took place and the trend turned down. (Note that the total volume from July 8 to the top in September was 168 million shares.) The Averages failed to go higher in the third month. At no time from April, 1930 to July, 1932 had the Averages or most of the individual stocks rallied over two months. Therefore, to show a change in trend to a prolonged bull market, they would have to advance three full months or more.
- OCTOBER After September stocks worked slowly down on a smaller volume of sales. In October the sales were 29,000,000.
- NOVEMBER Sales were 23,000,000.
- DECEMBER Sales 23,000,000.

1 9 3 3

- JANUARY Sales were 19,000,000 shares.
- FEBRUARY The whole country was in a state of panic. Banks were failing right and left. People were panic stricken and selling stocks and bonds regardless of price. There were business failures, and when President Roosevelt was inaugurated on March 1, he immediately acted and closed all the banks in the United States. This marked the end of the secondary decline and started a constructive movement.
- The Dow-Jones Industrial Averages declined to 50 in February, which was 9 points higher than the low of July, 1932. Sales were only 19,000,000 shares, the smallest volume of any time in over 10 years and the smallest volume for any month since the top in September, 1929, a sure sign of bottom.
- MARCH A rally started on increased sales. The volume was 20,000,000 shares.
- APRIL The United States went off the gold standard. This started a rapid advance in stocks and commodities. Sales on the New York Stock Exchange were 53,000,000 shares this month.
- MAY The advance continued and the volume of trading reached 104,000,000 shares.
- JUNE The volume increased to 125,000,000.

- JULY The sales were 120,000,000 sales.
- From March low to July high, 1933, the total number of shares traded in on the New York Stock Exchange was 422,000,000 shares and the Averages at the top in July were up 60 points from the low of February, 1933. Very few people keep records and study enough to understand what the enormous volume of 422,000,000 shares meant. This was the greatest volume of sales of any bull campaign in the history of the New York Stock Exchange. It was greater than the last advance in 1929. (From the last low in May, 1929 to September, 1929, the Averages advanced 96 points and the total sales on the New York Stock Exchange were 350,000,000 shares.) It was one of the wildest buying waves in history. Commodities advanced by leaps and bounds. People bought stocks regardless of price. Just think about it: Sales of 350,000,000 in three months—May, June, and July, 1933—equal to the volume from May, 1929 to September, 1929. The signs were plain that volume was telling the story of a wave of inflation. Commodities and stocks had advanced so rapidly and everybody had bought on such thin margin that a wide-open break occurred in four days from July 18th to 21st, carrying the Dow-Jones Averages down 25 points to 85. Cotton and Wheat broke badly at the same time on heavy liquidation. At this time Dr. E. A. Crawford failed. He was involved in commodities, said to be the largest amount carried ever known.
- AUGUST & SEPTEMBER After the sharp decline in July, a rally followed in August and September, which carried the Averages to within two points of the July high, making a double top. The volume of sales on this second rally was smaller. In August the sales were 42,000,000 and in September 43,000,000 shares. In these two months the volume was only two-thirds of the total volume for July, 1933.
- OCTOBER The Dow-Jones 30 Industrial Averages declined to 82½, the last low before the start of a long advance. Sales decreased to 39,000,000 and the market became very dull and narrow. A slow rally started from the October lows.
- NOVEMBER Sales were 33,000,000 shares.
- DECEMBER Sales 35,000,000.
- 1 9 3 4
- JANUARY The sales this month were 54,000,000.
- FEBRUARY Sales 57,000,000 shares, with the top in February only slightly above the high of January. The Averages failed to get over one point above the high of July, 1933, making a double top. Sales of 111,000,000 shares in two months and the third time at the same level was a signal of top. Individual stocks especially showed plainly by the large volume and the slow progress they were making in February that they were getting ready to start down. The trend turned down in the latter part of February.
- MARCH Sales reached 30,000,000 shares.
- APRIL There was a slight rally on 29,000,000 shares.

MAY Prices were lower on 25,000,000 sales.

JUNE There was a small rally and the volume decreased to 16,000,000 shares for the month.

JULY On July 26, 1934, stocks made bottom on sales of nearly 3,000,000 shares for the day, with the Dow-Jones Averages down to 85, slightly above the low level of October, 1933.
For the month of July, 1934 total sales were only 21,000,000 shares. Individual stocks moved in a narrow trading range, which showed that bottom was being made and the foundation laid for another bull campaign. The fact that an extreme high was reached in July, 1933 was an indication that you should watch for a change in trend in July, 1934, according to my rules to watch for a change in trend one year, two years, or three years from any important top and bottom.

AUGUST The market rallied 11 points on averages on sales of 16,000,000 shares.

SEPTEMBER The market reacted within one point of the July low. Sales were down to 12,000,000 shares, a sure sign of bottom, being the smallest sales per month in many years.

OCTOBER The market rallied in October on a slightly increased volume of sales, 15,000,000 shares.

NOVEMBER The sales increased to 21,000,000 shares.

DECEMBER Prices were higher on sales of 23,000,000 shares for the month.

1 9 3 5

JANUARY There was increased activity on sales of 19,000,000 shares.

FEBRUARY The market reached the top of the rally. Sales only 14,000,000 shares, which was a sign that there was not enough buying power to carry prices thru.

MARCH There was a big decline, which was the last before the market advanced to new highs. Sales were 16,000,000 shares.

APRIL Increased activity shown and stocks started advancing. Volume of sales was 22,000,000 shares, which showed that a bull market was under way.

MAY The Dow-Jones 30 Industrial Averages crossed the high levels of 1933 and the top of February, 1934, on sales of 30,000,000 shares. Individual stocks showed increased sales and many of them moved up to new high levels.

JUNE The Averages crossed 120, which was above the last high of November 9, 1931, a sure indication of higher prices. The sales for June were 22,000,000 shares.

JULY New highs were reached for individual stocks and the Averages. Sales for the month were 29,000,000 shares.

AUGUST More new highs for individual stocks and new highs for the Industrial

Averages. Sales reached 43,000,000 shares, the highest since January and February, 1934.

SEPTEMBER The advance continued and sales were 35,000,000 shares.

OCTOBER The Dow-Jones 30 Industrial averages advanced to 142. The total sales for the month were 46,000,000 shares. During the week ending October 26, sales on the New York Stock Exchange were 14,000,000 shares, the largest for any week since September, 1934, which was an indication that you should begin to watch for top in stocks that had had big advances.

NOVEMBER During the week ended November 2 the sales were 11,000,000 shares and during the week ended November 9 ... a 5-day week ... the sales were 12,000,000 shares. On November 8 the sales were 3,350,000, the largest for any day since the bottom of July 26, 1934.

JULY, 1934 to NOVEMBER, 1935

The total sales from the low of July 26, 1934 to the high of November 8, 1935 were 383,000,000 shares. The total number of points which the Dow-Jones Industrial averages advanced from July, 1934 to November 8, 1935 was 61 points. Note that the total advance from the low of March, 1933 to the top in July, 1933 was 60 points. Therefore, with the averages in November, 1935 up 61 points, as much as in the 1933 campaign, it was time to watch for at least a temporary change in trend.

Note that the volume of sales during this 15-months' campaign from July, 1934 to November, 1935 was about 39,000,000 shares less than the 5 months' campaign from March, 1933 to July, 1933. This shows that since the Securities Administration has been operating, it has reduced trading considerably.

DECEMBER Volume of sales 57,462,000 shares and a 10-point reaction occurred, a normal reaction in a Bull Market.

LARGEST VOLUME OF SALES BEFORE FINAL TOP

By going over the records you will find that the largest volume of sales often comes before final top is reached; that when the actual high is made, the volume of sales is smaller than in previous months, weeks or days. This is due to the fact that the public often loads up heavily, buying all they can carry, when the market gets very active; then as the market nears top, their demand having been supplied, they buy less. Example:

1 9 3 6

JANUARY Sales 67,500,000, the largest since the low was reached in July, 1934.

FEBRUARY Sales 60,864,000.

MARCH Sales 51,000,000.

APRIL High was reached on April 6 for a reaction. A sharp decline followed. Low April 30, with the Dow-Jones 30 Industrial averages down 21 points. Sales for the month, 39,610,000. The volume on this reaction was smaller than for many months past. You will see that the largest volume came in January before the reaction in April, the public having loaded up on the January rise.

1 9 3 6

JANUARY Sales 58,671,000, the largest since January, 1936 ... a signal to watch for a change in trend in the near future.

FEBRUARY Sales 50,248,000.

MARCH Dow-Jones averages reached final high at $195\frac{1}{2}$ on March 8. Sales for the month were 50,346,000 and the averages broke back 15 points before the end of the month. This again proves that the public loaded up on stocks in January, as the volume was less in February and when top was reached in March, the public was unable to buy in large volume.

JULY, 1934 to MARCH, 1937

From July 26, 1934 to October 31, 1936, the total volume was 866,988,000 shares and the market had advanced 94 points on the Dow-Jones averages. This was an average of 88,860 shares per point. From October 31, 1936 to March 8, 1937, when final high was reached, the total volume was 258,392,000 shares and the market had advanced 17 points. This was an average of 151,197 shares per point, showing that the market was meeting with almost twice as many shares per point as it did up to October 31, 1936. This increased volume on a smaller gain was an indication that the market was nearing top. The total sales in the entire Bull Campaign from July 26, 1934 to March 8, 1937 was 1,125,380,000 shares or about one-third of the total shares listed on the New York Stock Exchange.

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After the high in March, 1937, the volume decreased on the decline.

MAY Sales 18,562,000.

JUNE Sales 16,457,000. Low was reached on June 17 with the averages down 32 points. This decreasing volume indicated that a secondary rally was due.

JULY Sales 20,721,000.

AUGUST High of secondary rally. Dow-Jones averages reached $190\frac{1}{2}$, up $27\frac{1}{2}$ points. Sales 17,212,000. This will prove that on the secondary rally to within 5 points of the old top the volume was not more than one-third the sales at the first top in March, 1937 ... a sure indication of decreasing demand and a signal to sell the market short.

SEPTEMBER Sharp decline followed. Sales 33,854,000 shares, almost double the volume in August.

OCTOBER Panicky decline. Sales 51,250,000.

NOVEMBER Further decline to lower levels, but the volume decreased. Sales, 21,250,000.

1 9 3 8

JANUARY There was a rally to January; then decline was resumed. Sales for the month, 24,151,000. This was light volume on the rally, showing that there was not enough buying to turn the trend up.

FEBRUARY Sales 14,522,000.

MARCH Sales 23,995,000. This was light volume, considering the fact that the averages declined over 25 points. Final low reached March 21.

MARCH 1937 to MARCH, 1938

From March 10, 1937 to March 31, 1938 the averages declined 98 points. The total volume of sales was 346,192,000 or an averages of 35,325 shares per point, showing a much smaller volume on the decline than when the market advanced in the previous Bull Campaign and more proof of the thin markets due to Securities Exchange regulations.

1 9 3 8

APRIL Sales 17,119,000. This was on a 20-point rally in the averages.

MAY Sales 14,000,000, very small volume on a secondary reaction. The market became very dull and narrow at the bottom when the averages declined to around 106 $\frac{1}{2}$. This was the same kind of a signal on a secondary reaction that the market was making bottom for an advance as the signal which came in August, 1937, on the secondary rally when the market was making top and getting ready for a big decline.

JUNE Sales increased to 24,668,000.

JULY A further great increase to 38,880,000.

AUGUST Sales 20,788,000. The market made top in July and August; then reacted.

SEPTEMBER Sales 23,876,000. Low of reaction. The fact that the volume increased on this reaction in September indicated that there was good buying.

OCTOBER Heavy buying and a great increase in volume this month. Sales were 41,558,000.

NOVEMBER Sales 27,922,000. November 10, final high; Dow-Jones 30 Industrial averages reached 158 $\frac{3}{4}$. The market made a very small gain over the high in October, when there was such large volume. During the first 10 days of November the total volume was 11,800,000, indicating that stocks were meeting some heavy selling and that distribution was taking place.

MARCH, 1938 to NOVEMBER, 1938

From March 31 to November 10, 1938 the total advance was 61 $\frac{1}{4}$ points. Total volume of sales 192,685,000 or 32,080 shares per point, a little less than the same number of shares per point on the decline during 1937 and early 1938.

DECEMBER Sales 27,492,000, just slightly lower than the sales in November, 1938.

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JANUARY Sales 25,182,000, just a little more than the total sales in Jan. 1938.

FEBRUARY The market narrowed down and the volume was very small, 13,873,000.

MARCH Sales 24,560,000. A sharp decline followed after March 10.

APRIL Sales 20,246,000. April 11, low.

NOVEMBER, 1938 to APRIL, 1939

From November 10, 1938 to April 11, 1939 the Dow-Jones 30 Industrial averages declined $38\frac{5}{8}$ points. Total sales 115,232,000 shares. Average volume per point decline was 30,324 shares; slightly less than on the advance to November 10, 1938, but the advance was a greater number of points.

MAY A rally followed this month but the volume was small. Sales 12,935,000

JUNE Top of rally was reached on June 9 and a decline of 20 points followed, market reaching low June 30. Sales for the month, 11,963,000. This was a secondary reaction on small volume ... an indication to buy stocks.

JULY A rally followed on increased volume. Sales in July, 18,067,000.

APRIL to JULY, 1939

From April 11, 1939 to July 31, 1939 the averages advanced $25\frac{3}{4}$ points. Total sales were 55,211,000 shares. Average sales per point, 21,234 shares, indicating a thin market, the market being able to advance on a much smaller number of shares than on its decline from November 10, 1938 to April 11, 1939.

If you continue to study the Volume of Sales on the New York Stock Exchange and watch the position of the Dow-Jones Industrial Averages on Formations and at Resistance Levels, you will be able to determine culminations with greater accuracy.

A STUDY OF WEEKLY VOLUME

CHRYSLER MOTORS 1928-35

A study of each individual stock, noting its decrease or increase in Volume and the points at which it narrows down into a slow trading range with small volume and then the other extreme when it advances on large volume and makes a rapid advance, will enable you to determine when tops and bottoms are being made. For example: CHRYSLER MOTORS

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On January 21, 1928 Chrysler made low at $54\frac{1}{2}$; June 2, high $88\frac{1}{2}$. Then followed a decline to June 23, making low at $63\frac{5}{8}$, down 25 points in three weeks, on a volume of sale of 1,012,000 shares.

Then followed the final grand-rush lasting 16 weeks. During this time the stock never broke the low of a previous week at any time from the bottom at $63\frac{5}{8}$ to $140\frac{1}{2}$, where it reached high on October 6, up 87 points in 16 weeks, on total sales of 9,741,800 shares. During the last two weeks of this rapid advance the sales were 2,768,000.

The total number of shares of Chrysler listed on the New York Stock Exchange is 4,484,000. Thus, you see that on this last great advance the total capitalization changed hands more than twice, and in the last two weeks more than half of the total outstanding stock was traded in. This large volume indicated that during the second advance the stock was making top. During the week ended October 6, the total sales were 1,741,500. This was the largest volume of sales for one week in the history of Chrysler Motors, nearly half of the total stock outstanding.

The following week the price of the stock was lower. It never rallied again to this top until it declined to 5. If you were making a study of the volume of sales, you would see the handwriting plain on the wall and know that this was a final top, especially after it gave all the other indications of a change in trend to the downside.

1 9 2 9 TO 1 9 3 2

After Chrysler reached high in October, 1928 there was a panicky decline to the week of November 16, 1929, when the ending of the first section of the bear market was recorded on Averages. The sales during the period were 22,533,000 shares, or over $5\frac{1}{2}$ times the total stock outstanding.

On the rally from the week of November 16, 1929 to April, 1930, when the stock sold at 43, the total number of sales was 3,916,000 on a rally of 17 points. This volume of sales almost equalled the entire outstanding stock.

From April, 1930 high to the low of 5, which was reached in the week ended June 4, 1932, the total number of sales was 14,814,422.

The grand total of sales from the high at $140\frac{1}{2}$ in the week ended October 6, 1928 to the low of 5 in June, 1932 was 41,263,622 shares. Thus, the capital stock changed hands nearly 10 times in this campaign.

1 9 2 9 - 1 9 3 5

COMPARISON: DECLINE FROM 88 TO 5 AND ADVANCE FROM 5 TO 88

It is important to review the total number of shares traded in from the time Chrysler sold at 88 in the week ended May 11, 1929 to the low in the week ended June 4, 1932, when it declined to 5. This review is important because we want to make a comparison with the total sales from the low of 5, reached in the week ended June 4, 1932, to the time when Chrysler sold at $88\frac{1}{4}$ again in October, 1935.

In the week ended May 11, 1929, Chrysler declined below 88 and then failed to get above this level again until it declined to a low of 5 in June, 1932. The total number of sales was 25,154,622 on this decline.

From the extreme low of 5 in the week ended June 4, 1932 to October, 1935, when the stock advanced to $88\frac{3}{4}$ again, we find that the total volume of sales was 30,628,200, or $5\frac{1}{2}$ million shares more than the total number of shares traded in on the decline from May, 1929 to June, 1932, covering the same range in price.

We know that under normal conditions the volume is always greater when a stock is advancing than when it is declining, because there are more wash sales, pool operations and manipulation. The fact that Chrysler made this advance on only five million shares more than was required to go down the same number of points showed that the operations of the Securities Exchange Commission had reduced the volume of trading in an advancing market, especially when we consider that from the week ended June 4, 1932 to March, 1933 low there was a period of accumulation, the stock advancing from 5 to 22 and then declining to $7\frac{1}{4}$ again in March, 1933, on a volume of 5,105,000 shares. Therefore, deducting this from the total sales for the period from June, 1932 to October, 1935, it would bring the volume of trading down to 25 million shares on this advance, or near the same number of shares traded in on the decline of an equal number of points, from 88 to 5.

1 9 3 3 - 1 9 3 5

From the low of $7\frac{1}{4}$ in the week ended March 4, 1933 to the high at $60\frac{3}{8}$ in the week ended February 24, 1934, Chrysler advanced $52\frac{5}{8}$ points. Total sales, 15,219,800 shares, over three times the total amount of stock outstanding. Study this first section of the bull campaign and the distribution that took place—then apply the same rules to any other stock in order to determine a change in trend.

RANGE OF DISTRIBUTION: In the week ended January 6, 1934, Chrysler reached a high of $59\frac{1}{2}$; then reacted to 50, and rallied in the week of February 3 to $59\frac{3}{8}$; then reached top at $60\frac{3}{8}$ in the week ended February 24, 1934. After three weeks it had failed to gain one point over the high in the week of February 3 and the first high of $59\frac{1}{2}$ in January, which showed that there was real distribution taking place and the stock was meeting with heavy selling. The distribution took place between 50 and $60\frac{3}{8}$, or in a range of $10\frac{3}{8}$ points. In this range of distribution, there was a total number of 2,776,300 shares traded in, or over half of the total shares outstanding, which indicated that after an advance of 52 points, the stock was making top for at least a sharp decline.

SIDWAYS DISTRIBUTION: It is interesting to study a sideways distribution. After a stock turns the minor trend down; then rallies and cannot reach the old highs again, distribution often takes place on the side, which we call a sideways movement. People buy the stock on the reaction because they think it is cheap and don't know that it is getting ready to turn the main trend down. For example:

From the week ended March 3, 1934 to the week ended April 28, 1934, the price range for Chrysler was $49\frac{1}{4}$ to 56. Total number of shares traded in 1,225,800. Adding this to the distribution at the top, the total volume was 4,002,100, or practically the entire capital stock traded in in this 10-point range of distribution. After an advance of over 50 points, when the entire capital stock turned over in a range of 10 points, it certainly was a sign of a change in trend.

It is also interesting to consider that after the advance of $52\frac{5}{8}$ points in 51 weeks, the stock was nearing the Time period of one year. One of my rules is to always watch for a change in trend at the end of a year.

A decline followed in Chrysler after this sideways distribution.

BEAR CAMPAIGN - FEBRUARY TO AUGUST, 1934: From the high at $60\frac{3}{8}$ in the week ended February 24, 1934 to the low at $29\frac{1}{2}$ in the week ended August 11, 1934, the range was $31\frac{1}{8}$ points. The total volume of

sales was 3,033,900, nearly three-fourths of the capital stock changing hands on this decline. Compared with the large volume on the advance, this volume on the decline, which was a secondary reaction, showed that the pressure of sales was decreasing and that the stock was reaching bottom, at least for a rally. Study this bottom and the volume of sales per week. Also note that the low of $29\frac{1}{4}$ was practically one-half of $60\frac{3}{8}$, the high point.

BULL CAMPAIGN - AUGUST, 1934 TO NOVEMBER, 1935: From the low of $29\frac{1}{4}$ in the week ended August 11, 1934 to the high of $42\frac{1}{2}$ reached in February, 1935, the sales were 2,196,500, a smaller volume on the rally. Then the trend turned down again and the stock reached a low of 31 in the week ended March 16, 1935, making a higher bottom than that of August, 1934. The price was down $11\frac{1}{2}$ points from $42\frac{1}{2}$ in three weeks on a small volume of 286,600 shares, which indicated that it was the last decline and that the stock was getting ready to change trend to the upside, especially as it did not go lower in the fourth week of the decline.

LONG UPSWING AFTER SECONDARY BOTTOM: From the low of 31 in the week of March 16, 1935 to the high of October 25, 1935, when the stock sold at $88\frac{5}{8}$, making a total range of $57\frac{5}{8}$ points, the number of shares traded in was 5,091,000 shares, about $\frac{3}{4}$ million over the total capital stock outstanding. From the low of $29\frac{1}{4}$ in August, 1934 to the high of $88\frac{5}{8}$ in October, 1935, the total range was $59\frac{1}{2}$ points and the total sales 7,287,500, the total number of outstanding shares changing hands nearly twice.

The most important last long swing to consider was from the low of $7\frac{3}{4}$ in March 1933 to $88\frac{5}{8}$ in October, 1935, an advance of 81 points on total sales of 25,523,200 shares, which showed that the stock traded in equalled nearly six times the amount of stock outstanding.

When the stock was near the low in March, 1935, the sales per week were around 75,000 shares to as low as 46,000 shares per week until April 27, when the volume was 235,000 shares in the week. After that they were running higher right along. Then, beginning the week of August 31, sales were as high as 229,000 shares a week, 233,000, 254,000, 149,000, 223,000, 209,000, 260,000 in the week of October 19, and during the week ended October 26, when Chrysler reached $88\frac{5}{8}$, the sales were 256,000. Thus, you see how the volume of sales was increasing rapidly when this stock made a sharp advance to $88\frac{5}{8}$ from the low of the last reaction around 69.

In determining the extreme high and low points, you will find it will help you to study the Volume of Sales on each individual stock, especially the active leaders, and follow the rules.

Regulations against specialists, pool operators, and against member of the New York Stock Exchange trading for their own accounts have cut down the volume of sales probably as much as 50%. When the Government makes business bad in Wall Street, it hurts business throughout the nation.

The day will come when these reforms and regulations will cease because they are doing harm and helping no one. After these restrictions are taken off, then the market will show a larger volume of sales per point and there will be a more normal market.

When once again we have a free market and everybody is permitted to trade who can put up the money, there will be better business and general prosperity. Let us all pray that the day of reform and regulations will soon cease as it is best for all concerned that they should.

August 12, 1939